

ADOPTED 2005 BUDGET

DEPT: STATE SHARED TAXES

UNIT NO. 1900-2201

FUND: General - 0001

OPERATING AUTHORITY & PURPOSE

Pursuant to Chapter 79 of the Wisconsin Statutes, the State apportions Shared Revenues to counties on the basis of population, equalized property values, the relative ranking of local purpose

revenues, and the value of utility property (at 3 mills times the equalized value for incorporated areas within the county).

BUDGET SUMMARY			
	2003 Actual	2004 Budget	2005 Budget
State Shared Taxes	\$ 40,573,223	\$ 37,129,675	\$ 37,130,288

STATISTICAL SUPPORTING DATA	2003 Actual	2004 Budget	2005 Budget
Base Payment	\$ 0	\$ 0	\$ 56,341,505
Aidable Revenues	62,361,761	59,770,205	0
Utility Payment	911,738	889,917	890,083
County Mandate Relief	3,654,881	(3,429,147)	
Maximum - Minimum Adjustment (\$79.06)	(6,253,857)		
Subtotal State Shared Taxes	\$ 60,674,523	\$ 57,230,975	\$ 57,231,588
State Child Welfare Reallocation	(20,101,300)	(20,101,300)	(20,101,300)
Emergency Medical Services	(1,334,707)	(1,334,707)	(1,334,707)
Emergency Medical Services	1,334,707	1,334,707	1,334,707
Total State Shared Taxes	\$ 40,573,223	\$ 37,129,675	\$ 37,130,288

The State has modified the State Shared Revenue (State Shared Taxes) formula so that the previous year's base, plus the utility payment, determines the budgeted amount. The base amount is net of the per capita amount (explained later in this narrative). The budgeted amount for 2005 is \$37,130,288.

The 2003 budgeted amount of \$41,207,056 has been reduced by the State to \$40,573,223. Therefore, the budgeted amount for 2004 reflects a reduction of \$626,413 resulting from the reduction in the 2003 base amount.

Utility Payment Component

The utility payment component compensates local governments for costs they incur in providing services to public utilities. These costs cannot be directly recouped through property taxation since utilities are exempt from local taxation and, instead, are taxed by the State.

Payments to cities and villages are computed at a rate of six mills (\$6 per \$1,000 of net book value),

while payments to towns are computed at a rate of three mills. Payments to counties are computed at three mills if the property is located in a city or village or at six mills if the property is located in a town. The utility payment component for 2004 is \$889,917, which is \$21,820 less than the 2003 actual.

Per Capita Reduction

In addition to the modification to the formula, the State Budget Adjustment Bill, in compliance with 2001 Wisconsin Act 109 for the 2001-2002 State Biennial Budget, reduced State Shared Revenue by \$40 million on a per capita basis and allocated \$20 million each to municipalities and counties, which results in an estimated decrease of \$3,429,147 for Milwaukee County. The 2005 base for State Shared Revenue has been reduced from \$59,770,205 to \$56,341,505 to reflect the modified formula. In 2004, the reduction appears as a line item in the table above.

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Supplemental Payment

It is anticipated that State Shared Revenue payments will be reduced by an amount equal to a new supplemental payment begun in November 2003 to governments that provide emergency transportation service. The State Department of Health and Family Services has been directed to try and capture additional Federal Medical Assistance funding based on actual claims submitted by service providers in the previous fiscal year. A preliminary estimate, based on past experience, indicates that Milwaukee County's State Shared Revenue payment would be reduced by \$1,334,707 beginning in 2003, completely offset with a supplemental payment of \$1,334,707, for no net change in state aid.

State Child Welfare Reallocation

Beginning in 1999, in accordance with Wisconsin State Statute 48.561(3), the Wisconsin Department of Administration reallocated \$20,101,300 in State Shared Revenue to the State's Child Welfare Program. These funds are to be used to defray State administrative costs for the program. Previously, this allocation was taken from Community Aids revenue in the Department of Human Services and DHS-Mental Health Division budgets.

Description of Previously Used Components

The following components are no longer used to calculate State Shared Revenue: Aidable Revenues, County Mandate Relief and Minimum/Maximum Adjustment.

Aidable Revenues Component

Aidable revenues is the dominant component of the shared revenue program. The aidable revenues formula is based on the principle of tax base equalization and allocates State aid to counties and municipalities to offset variances in taxable property

wealth. Entitlements are calculated using two factors: 1) per capita property wealth; and 2) net local revenue effort. The lower a local government's per capita property wealth and the higher its net revenue effort, the greater is the local government's aidable revenues entitlement. Per capita property wealth equals the local government's adjusted property value divided by its population. A local government's adjusted property value is comprised of the equalized value of all taxable property plus the value of tax-exempt computers. Also, the value of manufacturing real estate is excluded for municipalities, but not for counties. This component is longer used to calculate the State Share Revenue allocation.

County Mandate Relief Component

County Mandate Relief revenues are allocated to individual counties on a per capita basis. The per capita distribution has been increased by one percent starting in 2002, which has resulted in a per capita rate of \$3.88 for 2003.

Minimum Guarantee/Maximum Growth Component

Minimum Guarantee/Maximum Growth Components serve to prevent large decreases or increases in payments from occurring in a short period of time. The minimum guarantee ensures that a local government receives a shared revenue payment that is equal to at least 95 percent of the prior year's payment. The maximum growth limit is set at a level that generates the exact amount needed for minimum guarantee payments. Prior to 2002, there were growth limits set for municipalities and counties. As a part of the 2002-2003 State of Wisconsin Biennial Budget, the growth limit was removed for municipalities. The growth limit for counties is 2.7 percent.